The Manitoba Agricultural Credit Corporation

Annual Report 2000 - 2001

MACC

Manitoba Agricultural Credit Corporation

BOARD OF DIRECTORS

Bill Uruski
Chair

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Vice-Chair

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Terry Wareham
Board Member

Lester Vopni
Corporate Secretary

Gill Shaw
Ex-officio Member of the Board

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Gill Shaw
General Manager

Charlene Kibbins
Director, Corporate and Program Development

Karen McEachen
Director, Finance and Administration

Albert Todosichuk
Director, Credit Administration

Lester Vopni
Legal Counsel/Corporate Secretary

Working Together to Build Your Future

MACC
Manitoba Agricultural Credit Corporation

102-00135/

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Minister of Agriculture
and Food

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

The Honourable Peter M. Liba, C.M.
Lieutenant-Governor of Manitoba
Room 235 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Your Honour:

I am pleased to submit the Annual Report of the Manitoba Agricultural Credit Corporation for the period of April 1, 2000 to March 31, 2001.

Yours truly,

Rosann Wowchuk

Rosann Wowchuk
Minister of Agriculture and Food

Minister of Agriculture
and Food

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

À son Honneur
L'honorable Peter M. Liba, C.M.
Lieutenant-gouverneur du Manitoba
Palais législatif, bureau 235
Winnipeg (Manitoba) R3C 0V8

Monsieur le lieutenant-gouverneur,

J'ai le privilège de vous présenter le rapport annuel de la Société du crédit agricole du Manitoba pour la période du 1er avril 2000 au 31 mars 2001.

Je vous prie d'agréer, Monsieur le lieutenant-gouverneur, l'expression de ma haute considération.

La ministre de l'Agriculture
et de l'Alimentation,

Rosann Wowchuk

MACC
Manitoba Agricultural Credit Corporation

Unit 100 - 1525 First Street South
Brandon, Manitoba R7A 7A1
T 204.726.6850 F 204.726.6849

The Honourable Rosann Wowchuk
Minister of Agriculture and Food
165 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Mrs. Wowchuk:

On behalf of the Board of Directors, I am pleased to submit the Annual Report of the Manitoba Agricultural Credit Corporation for the fiscal year ending March 31, 2001.

Bill Uruski
Chair

MACC
Manitoba Agricultural Credit Corporation

Unit 100 - 1525 First Street South
Brandon, Manitoba R7A 7A1
T 204.726.6850 F 204.726.6849

Madame Rosann Wowchuk
Ministre de l'Agriculture
et de l'Alimentation
Palais législatif, bureau 165
Winnipeg (Manitoba) R3C 0V8

Madame la ministre,

Au nom du conseil d'administration, j'ai le privilège de vous présenter le rapport annuel de la Société du crédit agricole du Manitoba pour l'exercice qui s'est terminé le 31 mars 2001.

Je vous prie d'agréer, Madame la ministre, l'expression de mes sentiments respectueux.

Le président,

Bill Uruski

MESSAGE FROM THE CHAIR AND THE GENERAL MANAGER

The past year in agriculture proved to be very challenging. The struggle with low commodity prices continued - particularly in the grain and oil seed areas. Farmers in many parts of the province dealt with yet another round of adverse weather conditions.

2000-2001 was also a period of opportunity. Farmers were able to take advantage of our province's competitive advantage and expand and/or diversify their operations. Through its array of programs and tailored policies, the Manitoba Agricultural Credit Corporation (MACC) was there to assist producers in meeting their ever-changing financing needs.

Based on MACC's mandate, our priorities have been, and will continue to be, ensuring that all farmers have access to agricultural financial services at reasonable cost. Programs are targeted to producers who often have difficulty accessing services from traditional financial institutions because they lack experience and/or equity. We focus on cooperating, not competing, with other financial institutions to make certain that the financing needs of Manitoba producers are met.

MACC remains steadfast in its proactive approach of enhancing and developing programming that will allow farmers to act on establishment, expansion and diversification opportunities as they arise. We must stay on top of developments in the industry in order to maintain relevancy in present day agriculture. Toward this end, we analyze the marketplace, our programs and speak to stakeholders about what their needs. We feel that Manitoba has many competitive advantages to be realized through progressive and accountable diversification activity. Several program enhancements were made this past year including the introduction of higher direct lending limits and feeder financing for heifers being raised for breeding purposes.

Throughout our extensive consultative processes, the message was clear that broader measures were needed to facilitate value-added and diversification activity. With that in mind, MACC launched the Enhanced Diversification Loan Guarantee Program (DLG+) in March 2001. Manitoba farmers now have access to an additional $200 million in private financing through this government guarantee program. This program is a building block for developing a myriad of agricultural enterprises in the province.

Direct lending continues to be a core component of MACC's portfolio. Meeting the financial requirements of the young, beginning and higher risk farmers remains the special emphasis for the corporation. 2000-2001 saw over $39.4 million in direct loans with 72% being financed to farmers under the age of 40.

Activity levels prove that loan guarantees have become a major part of our portfolio as well. Where agricultural financing is concerned, many lenders continued their cautious approach this past year. This was cause for concern. We invested a great deal of time partnering with chartered banks, caisse populaires and credit unions to offer programming that would ensure their continued investment of resources in the agriculture industry. A 16.9% increase in the dollar volume of loan guarantees was experienced. As we work in collaboration with these organizations, we expect this sector of our business to escalate further.

Agricultural production is an essential element of prosperous rural communities. We believe that agricultural development and expansion must be based on professional and scientific research. While we want to make certain that the best interests of the industry are served, agricultural production must not interfere with the rights of others to a clean environment, safe water and the amenities of a rural lifestyle. MACC is committed to addressing social, economic and environmental issues in both program development and delivery.

Not only have we seen expansion and enhancement in our programs and services, but we have also experienced rapid advances in the operational side of our business. The success that we have achieved in the area of technology and information management has been particularly rewarding. Development of our Electronic Client Loan Information Profile System (ECLIPS) has been an important factor in our growth and will be the foundation upon which many future endeavours will be built.

With evolutionary changes occurring in virtually every facet of our business, we recognized the need for an independent review of our organization. We therefore enlisted assistance in building a corporation that will continue to respond to the changing needs of agriculture. In November, 2000, Meyers Norris Penny was engaged to conduct a comprehensive Business Function Review. A tremendous amount of energy and time has been invested in this project and we look forward to receiving recommendations for improvements and new developments. Completion of the review is expected in 2001.

MACC's Board of Directors and Executive recognize that it would not be where it is today without its staff. Employees have again demonstrated an extremely high level of performance. We have experienced a healthy labor relations environment with a new three year collective agreement being signed December 20, 2000. This contract includes several positive enhancements for staff including the introduction of family related leaves.

We must also thank our Board of Directors for their dedication and strong support. During 2000-2001, we said good-bye to some board members and welcomed some new ones. We extend our appreciation to the departing members for their service and commitment and look forward to working with our new members.

We are extremely proud of the strides that we have made over the past year and look forward to what the future has in store. We remain committed to doing our part to create a sustainable Manitoba agricultural economy.

Gill Shaw
General Manager

Bill Uruski
Board Chair

MACC

The Manitoba Agricultural Credit Corporation

Our Vision:

A sustainable Manitoba agricultural economy

Our Promise:

To participate in meeting the financial requirements of the agricultural community, thereby contributing to a vibrant Manitoba economy that is globally competitive

Our Goals:

1. *To be recognized for quality customer service*
2. *To provide unique and essential financial assistance programs facilitating value-added and diversification*
3. *To increase the availability of credit, under reasonable terms and conditions, from traditional financial institutions to Manitoba farmers*
4. *To always be prepared to give priority to the delivery of emergency and special assistance programs for the Province*

MACC

Société du crédit agricole du Manitoba

Notre vision :

Une économie agricole durable au Manitoba

Aider la communauté agricole à répondre à ses besoins financiers de manière à contribuer au développement d'une économie manitobaine vivante et compétitive à l'échelle mondiale.

1. *Être reconnu pour la qualité de notre service à la clientèle.*
2. *Offrir des programmes d'aide financière uniques et indispensables qui permettent la valeur ajoutée et la diversification.*
3. *Augmenter la disponibilité du crédit, à des conditions générales raisonnables, que les institutions financières traditionnelles offrent aux agriculteurs manitobains.*
4. *Être toujours prêt à donner priorité à la mise en œuvre de programmes d'urgence et d'aide spéciale pour la province.*

Operating Philosophy

ALLIANCE BUILDING

We are committed to building partnerships and relationships within the agricultural community.

SERVICE

We are committed to providing professional, prompt, respectful, orderly, efficient and ethical service.

PRODUCTIVITY

We are dedicated to providing a high volume of high quality products.

PROGRESS

We believe in the future of agriculture as a viable industry in Manitoba and are dedicated to program change and enhancement that addresses unserviced financial needs in the agricultural community.

PROFESSIONAL GROWTH

We are committed to employee development and advancement in an atmosphere of mutual trust that fosters initiative and creativity.

ORGANIZATIONAL STRUCTURE

We are committed to defining roles and responsibilities that will support efficient decision making, orderly flow of information, and effective program delivery.

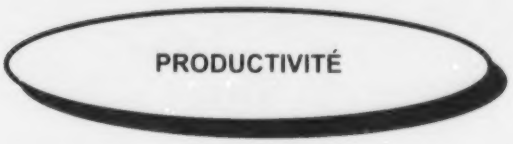
COMMUNICATION

We believe that effective and open communication, based on listening and responding, is integral to a successful organization.

Principes directeurs

Nous nous engageons à établir des partenariats et des relations au sein de la communauté agricole.

Nous nous engageons à fournir un service professionnel, rapide et efficace, de façon ordonnée, respectueuse et juste.



Nous faisons le nécessaire pour offrir une grande quantité de produits de haute qualité.

Nous croyons que l'agriculture est une industrie viable et pleine d'avenir au Manitoba, et nous faisons le nécessaire pour adapter et améliorer nos programmes afin de répondre aux besoins financiers non satisfaits des agriculteurs.

Nous nous engageons à favoriser le perfectionnement et l'avancement du personnel dans une atmosphère de respect mutuel qui encourage l'initiative et la créativité.

Nous nous engageons à définir les rôles et responsabilités afin de garantir une prise de décisions efficace, une bonne circulation de l'information et une mise en œuvre efficace des programmes.

Nous croyons qu'une communication efficace et ouverte, basée sur le dialogue, est indispensable à la réussite de toute organisation.

TO BE RECOGNIZED FOR QUALITY CUSTOMER SERVICE

MACC made continuous efforts throughout the 2000-2001 year to improve the quality of its customer service.

In 1998 -1999, the corporation undertook a major initiative to redevelop its Act and Regulations. The goal was to streamline and modernize MACC's legislative authorities allowing the corporation to move forward in a policy driven direction. In July of 2000, the second phase of the project was completed with the registration of the redeveloped main Regulation 94/2000.

MACC made noteworthy progress with its computer redevelopment project as well. Efforts were focused on providing increased access to ECLIPS – the Electronic Client Loan Information Profile System. MACC was successful in connecting all field offices to the central computer network thereby linking them to the integrated management information system. Further efforts were applied to maximizing the effectiveness and availability of the network through increased line speeds or providing additional points of entry for dial-up users.

With ECLIPS covering the lending side of MACC's business, separate applications were needed to facilitate monitoring and measuring the delivery of the corporation's guarantee programming. A customized addition to the new system was developed to address the Guaranteed Operating Loan Program. The legwork, including program testing, was completed during the year and it is fully anticipated that the final product will be operational in early 2001-2002.

MACC is committed to staying abreast of developments in the industry. Adjustments to policies or practices are continually made to ensure that MACC's programs meet the needs of today's farmers. Throughout 2000-2001, analyses of several aspects of the agricultural markets were completed, including commodity and cattle prices. As a result, MACC increased its maximum lending limit for cows and bred heifers from $880 per animal to $1,000 per animal.

Continued efforts were also placed on the promotion and education of MACC and its programs. Staff attended a wide range of meetings, seminars and fairs, where presentations or information sessions were held with various groups including producers, lenders and other government departments or agencies. We were specifically pleased to be part of the "Producers Making It Happen – Recapturing Income on your Farm" conference that was held in February 2001 in Russell, Manitoba. In addition , our display unit, program brochures and fact sheets, and procedural manuals were updated and distributed throughout the year.

TO PROVIDE UNIQUE AND ESSENTIAL FINANCIAL ASSISTANCE PROGRAMS FACILITATING VALUE-ADDED AND DIVERSIFICATION

In 2000-2001, MACC introduced significant programming changes to allow Manitoba producers to take advantage of diversification and adaptation opportunities.

As the result of program reviews and on-going consultations with producers and industry stakeholders, the following modifications were made:

- Stocker loans and Cattle Feeder Association Loan Guarantees were enhanced to allow clients to purchase heifers and non-lactating cows for breeding purposes;
- Direct lending limits were increased from $325,000 to $400,000 for individuals and from $650,000 to $800,000 for corporations, partnerships and co-operatives;
- The maximum net worth limit for new clients under the Direct Lending Program was increased from $500,000 to $650,000.

March 2001 marked the announcement of the Enhanced Diversification Loan Guarantee Program (DLG+). Building on the successful concept of the original DLG Program, this partnership program sees MACC guaranteeing 25% of project funds that are borrowed from private sector lenders. With producers having access to up to $200 million of financing, this program will be a cornerstone in assisting agriculture diversification, innovation and value-added projects in the province.

TO INCREASE THE AVAILABILITY OF CREDIT, UNDER REASONABLE TERMS AND CONDITIONS, FROM TRADITIONAL FINANCIAL INSTITUTIONS TO MANITOBA FARMERS

MACC supports the involvement of local lenders in the agriculture industry. The delivery of partnership programs provides opportunities for producers to access the necessary capital to establish and expand their farming operations.

The Guaranteed Operating Loan Program has been an integral piece of the corporation's portfolio since its inception in 1983-1984. MACC extended the current program agreements, which were set to expire December 31, 2000, so that additional time could be spent exploring potential program enhancements.

With respect to the Manitoba Cattle Feeder Associations Loan Guarantee Program, the start of the year saw an extension of the program for a further three year period ending March 31, 2003. In June of 2000, MACC joined with Manitoba Industry Trade and Mines in providing training seminars, covering a variety of topics, for association board members, participating financial institutions and association staff. These sessions were held in three areas of the province. To further enhance the delivery of this program, MACC completed an operational audit in the fall of 2000. Program administration and compliance with the program parameters was assessed. Recommendations were compiled and provided to each individual association. In addition, oral presentations were made to each association board and a summary report was presented to the provincial Association of Manitoba Feeder Cooperatives.

TO ALWAYS BE PREPARED TO GIVE PRIORITY TO THE DELIVERY OF EMERGENCY AND SPECIAL ASSISTANCE PROGRAMS FOR THE PROVINCE

The corporation plays a vital role in acting as the vehicle for delivery of provincial emergency and special assistance programs.

This past year, MACC worked with the Province and the City of Winnipeg in developing a City of Winnipeg Flood Proofing Loan Assistance Program. Essentially an extension of the program that provided financial assistance to property owners in the Red River Valley area, this short-term program was geared to providing similar assistance to property owners in the City of Winnipeg. The deadline for applications was March 31, 2001.

Recognizing that the future of agricultural production and the presence of the family farm is influenced by the availability or non-availability of assistance through the difficult times, MACC undertook a review of its Comprehensive Refinancing Program. It is a tool used to assist clients who are going through a debt mediation process. Final recommendations and direction for the continuation of this program are expected in early 2001-2002.

A review of the corporation's account payment structure resulted in the decision that producers required increased flexibility in meeting their financial obligations. A long-term policy was adopted in January 2001 respecting payment deferrals. This deferral option will help producers sustain their operations through difficult times such as the recent downturn in commodity prices.

LOOKING AHEAD WITH CONFIDENCE

While no one really knows what lies ahead in the world, we can be sure of one thing - constant change. The agriculture industry is no exception.

MACC believes that a positive and proactive approach is critical to its success and it prides itself on being an innovative and forward thinking organization. In keeping with its traditional mandate, MACC will continue to be a stable provider and facilitator of low cost agricultural credit. Assistance for farmers to establish or expand a viable farm operation will be available through the various programs and services offered by the corporation.

The future of MACC will continually evolve as we work towards our long-term goals. The corporation's Business Function Review, a project that commenced this past fiscal year, will also identify opportunities to improve our internal structure, systems and processes, to further utilize information technologies and to provide a plan that will support our long-term direction. MACC will be faced with many exciting challenges and opportunities in the years to come. We intend to capitalize on our strengths and make quality improvements that will allow us to reach our full potential in all aspects of our business.

To ensure the utmost in quality customer service, we have set our sights on objectives that will:

- enhance our efficiency, accuracy and turnaround time in responding to client requests;
- improve accessibility to the integrated Management Information System;
- enhance public awareness with current marketing and program delivery tools; and
- promote a positive workplace.

MACC plays a significant role in providing unique and essential financial assistance programs facilitating value-added and diversification activity. As windows of opportunity open for farmers, the necessary financial support must also be available and we remain committed to filling unserviced financing needs. In order to be poised to provide such assistance, we will look at:

- expanding client and project eligibility for financing; and
- conducting in-depth analyses of the trends in agriculture and continually evaluate our program criteria and parameters against same.

Increasing the availability of credit, under reasonable terms and conditions, from traditional financial institutions to Manitoba farmers is another long-term commitment of MACC. Through partnership programs, we strive to improve producers' opportunities to access capital while supporting the involvement of local lenders in the agriculture industry. Our short-term focus in this area is on:

- evaluating the acceptance of the Enhanced Diversification Loan Guarantee Program (DLG+);
- ensuring that our programs reflect emerging needs; and
- increasing activity of eligible financial institutions.

Lastly, MACC must always be prepared to give priority to the delivery of emergency and special assistance programs for the province. Future objectives include:

- addressing the needs of Manitoba farm families to facilitate intergenerational farm transfers;
- positioning ourselves so that we have ready access to comprehensive information.

Beginning in 1959-1960, its first full year of operation, the corporation borrowed its capital requirements from the Province of Manitoba. The capital funds at that time remained with the corporation to be reused for lending purposes and the interest charged on this debt was paid annually to the Province.

In 1977, arrangements were made to repay these capital funds and the fixed interest charges over an amortization period as consistent as possible with the term over which these funds were loaned to farmers. Subsequent capital advance requirements and terms of repayment were determined annually based on the lending activity of the corporation for that year.

Because of the "open" nature of its loans to farmers, the corporation is also allowed to make prepayments on the capital advances to the extent of the prepayments received from its clients.

Financial Statements

Balance Sheet

Deficit Account

1985-1986 brought about a change in the method of funding provided by the Province for the corporation's operations. This change eliminated any further funding of MACC's allowance for impaired loans and required a return to the Province of funds provided for this allowance prior to March 31, 1985.

Because of this funding change, the corporation continues to operate from an accumulated deficit position which is now $24,671,583. This is essentially the allowance for impaired loans total of $20,516,346 at March 31, 2001, less the reserve for working capital and other provisions in the amount of $4,155,237.

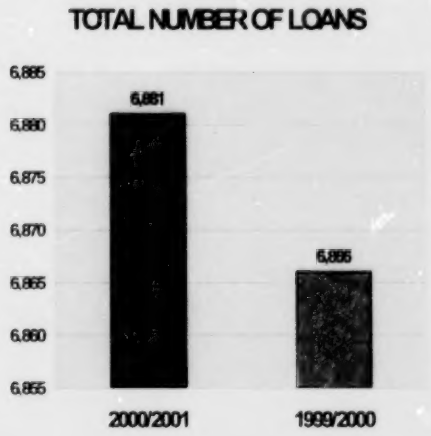
Statement of Revenue and Expenditure

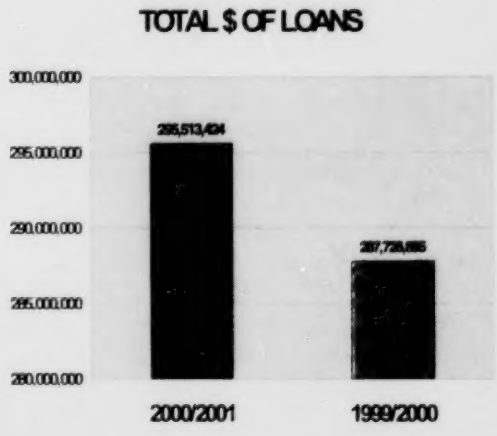
The net costs of operation of the corporation were $5,119,681 (expenditures of $28,731,142 less revenue of $23,611,461) in 2000-2001 as compared with $8,851,858 (expenditures of $30,559,919 less revenue of $21,708,061) in the previous fiscal year.

To offset these net costs of operation, the Province provided $3,293,662 ($3,579,479 from appropriations of Manitoba Agriculture and Food and $189,635 from Manitoba Finance valuation account) resulting in an operating excess of expenditures over revenue of $1,636,384 for 2000-2001.

LOAN PORTFOLIO

As at March 31, 2001, MACC's total loan portfolio increased by 15 loans and by $7,786,529 over last year.





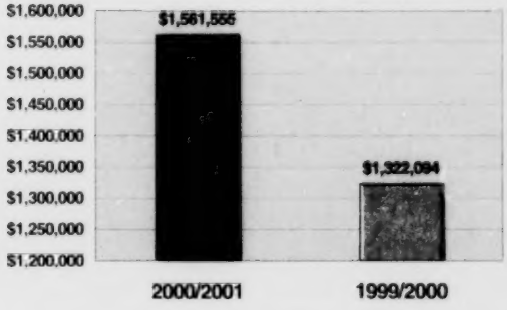
YOUNG FARMER REBATE

The Young Farmer Rebate was introduced in 1978-1979 to assist young, beginning and expanding farmers in the development, re-organization and expansion of their farm operations. The rebate is aimed at reducing the cost of borrowing during the critical start-up stage of production.

The current Young Farmer Rebate was implemented during 1993-1994. Eligible young farmers, under the age of 40, receive a rebate of 2% on the first $100,000 of principal on Direct Loans or Cooperative, Corporate and Partnership Loans, with an interest term of five years or greater - to a maximum lifetime rebate of $10,000.

During 2000-2001, there were young farmer rebates of $1,561,555 as compared to rebates of $1,322,094 during 1999-2000. The majority of young farmer rebates are applied to Direct Loans. Of the 2000-2001 direct lending activity to individuals, young farmers were approved for 72% of the loan dollar volume as compared to 69% in 1999-2000.

$ OF YOUNG FARMER REBATES



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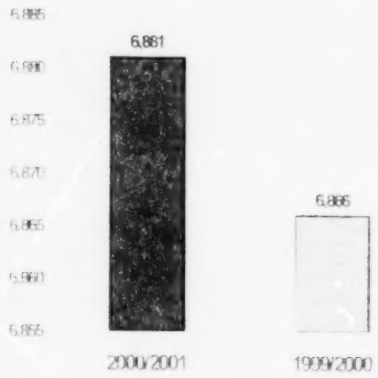

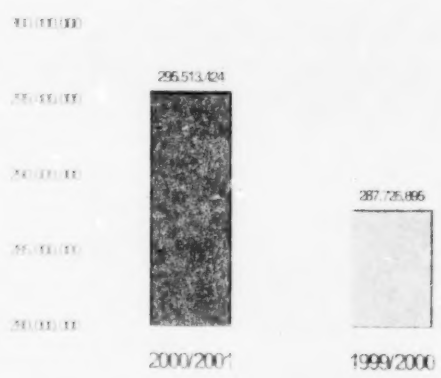

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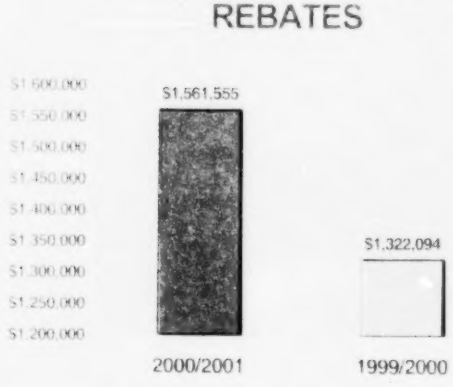


MACC's Direct Lending Program provides eligible Manitoba farmers with financing for fixed-terms up to thirty years. These loans provide clients with competitive interest rates, annual compounding of interest and no prepayment penalties. Clients also have the control and flexibility of "locking in" for the full amortization period of the loan or selecting a five-year renewable interest term.

Direct Lending Program Activity

	March 31, 2001		March 31, 2000	
	Number	**Amount**	**Number**	**Amount**
Direct Loans	539	$ 37,081,232	650	$ 47,440,639
Cooperative, Corporate & Partnership Loans	8	1,404,792	17	3,141,968
Stocker Loans	367	25,965,842	405	24,098,137
Total Lending Activity*	**914**	**$ 64,451,866**	**1072**	**$ 74,680,744**

** total applications reviewed in 2000-2001 was 987 (1,205 in 1999-2000).*

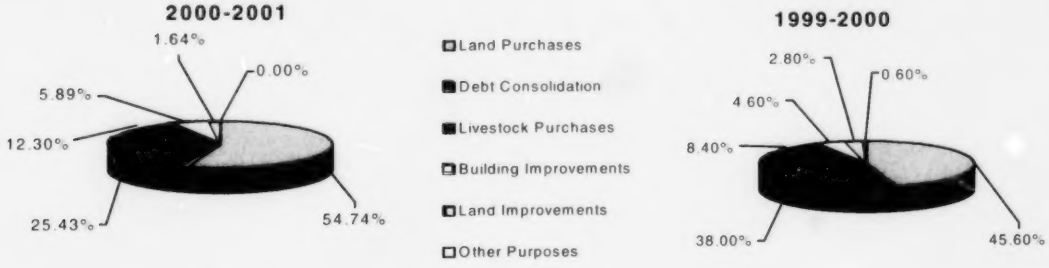
Direct Loans

The current delivery model of Direct Loans was introduced in 1978-1979 to provide financial assistance to Manitoba farmers in establishing, developing and operating their farms.

During 2000-2001, there were 539 loans approved totalling $37,081,232 as compared to 650 loans approved totalling $47,440,639 during 1999-2000.

Agricultural lending activities in 2000-2001 were distributed as indicated below with the major allocations of activity to land purchase loans of 54.74% and debt consolidation loans of 25.43%.

Approved Direct Loans by Purpose



Cooperative, Corporate and Partnership Loans

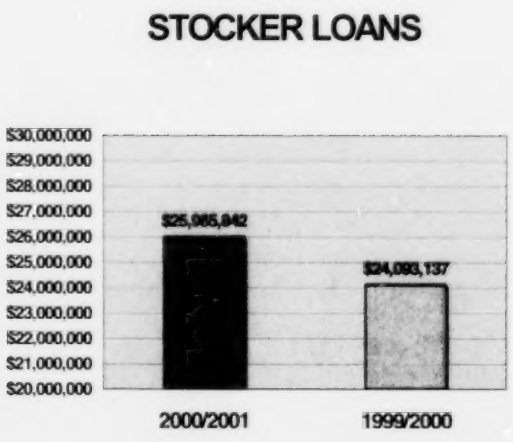
The Cooperative, Corporate and Partnership Loans were introduced in 1978-1979 to provide multiple farm operators with intermediate and/or long term loans.

During 2000-2001, there were 8 loans approved totalling $1,404,792 as compared to 17 loans approved totalling $3,141,968 in 1999-2000.

Stocker Loans

Stocker Loans were introduced in 1975-1976 to provide livestock inventory financing to qualified livestock producers.

During 2000-2001, there were 367 loan approvals for 41,052 head, totalling $25,965,842 as compared to 405 loan approvals for 38,781 head, totalling $24,093,137 for 1999-2000.



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Total Lending Activity*	**914**	**$ 64,451,866**	**1072**	**$ 74,680,744**

** total applications reviewed in 2000-2001 was 987 (1,205 in 1999-2000)*

Direct Loans

The current delivery model of Direct Loans was introduced in 1978-1979 to provide financial assistance to Manitoba farmers in establishing, developing and operating their farms.

During 2000-2001, there were 539 loans approved totalling $37,081,232 as compared to 650 loans approved totalling $47,440,639 during 1999-2000.

Agricultural lending activities in 2000-2001 were distributed as indicated below with the major allocations of activity to land purchase loans of 54.74% and debt consolidation loans of 25.43%.

Approved Direct Loans by Purpose

Cooperative, Corporate and Partnership Loans

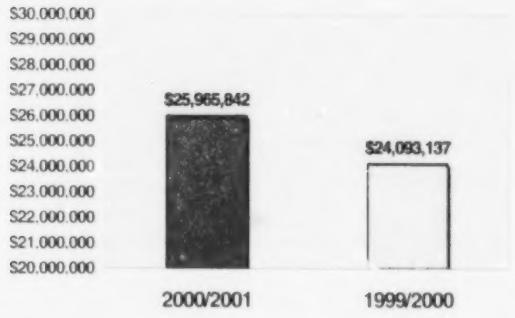
The Cooperative, Corporate and Partnership Loans were introduced in 1978-1979 to provide multiple farm operators with intermediate and/or long term loans.

During 2000-2001, there were 8 loans approved totalling $1,404,792 as compared to 17 loans approved totalling $3,141,968 in 1999-2000.

Stocker Loans

Stocker Loans were introduced in 1975-1976 to provide livestock inventory financing to qualified livestock producers.

During 2000-2001, there were 367 loan approvals for 41,052 head, totalling $25,965,842 as compared to 405 loan approvals for 38,781 head, totalling $24,093,137 for 1999-2000.



From time to time there exists a group of agricultural producers and other Manitobans that require special financial assistance that the Manitoba Government deems necessary to provide.

When called upon, MACC plays a vital role in this area acting as the vehicle for the delivery of these special programs.

Emergency and/or Special Assistance Program Activity

	March 31, 2001		March 31, 2000	
	Number	Amount	Number	Amount
Enhanced Flood Proofing Assistance Loans	23	$ 3,554,487	104	$ 8,499,600
Manitoba Producer Recovery Loans	0	0	367	18,306,112
Comprehensive Refinancing Loans	15	936,118	35	2,571,608
Total Lending Activity	**38**	**$ 4,490,605**	**506**	**$ 29,377,320**

Enhanced Flood Proofing Loan Assistance Program

In cooperation with Manitoba Conservation, MACC enhanced the Flood Proofing Loan Assistance Program in 1998-1999. Financial assistance was made available to Manitobans who were affected by the 1997 Red River Valley flood to undertake raising, moving and diking of buildings necessary for flood proofing.

The deadline for applications to Manitoba Conservation under this program was September 1, 1999, with the loan application deadline to MACC being September 1, 2001.

During 2000-2001, there were 23 loans approved totalling $3,554,487 as compared to 104 loans approved totalling $8,499,600 in 1999-2000.

Manitoba Producer Recovery Program

The Manitoba Producer Recovery Program was introduced in 1998-1999 as a loan initiative. This program assisted producers to offset working capital deficits and to settle accounts payable where a severe decline in farm income has jeopardized the viability of their farming operation.

Individual farmers were eligible for loans of up to $50,000 while partnerships, corporations and farming cooperatives could borrow up to $100,000. Loans must be repaid within 10 years.

The deadline for applications under this program was July 31, 1999.

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The deadline for applications under this program was July 31, 1999.

Comprehensive Refinancing Loan Program

The Comprehensive Refinancing Loan Program was introduced in 1985-1986 to provide loans to farmers or corporate farms that were in financial difficulty. The program was enhanced in 1998-1999 when $5 million was made available specifically for lending to existing MACC clients in financial difficulty. The interest rate was set at 6.50% for the first five years of each loan.

During 2000-2001, there were 15 approvals totalling $936,118 as compared to 35 approvals for $2,571,608 in 1999-2000.

Manitoba Farm Mediation Board Guarantees

During 1987-1988, loan assistance to clients of the Manitoba Farm Mediation Board was identified to be in the category of "special programs".

In 2000-2001, there were Manitoba Farm Mediation Board Guarantees associated with 2 Direct Loan approvals totalling $48,000 and 8 Comprehensive Refinancing Program Loans totalling $599,399 for a total of 10 loans totalling $647,399 as compared to 32 loans totalling $2,550,940 during 1999-2000.

The Manitoba Agricultural Credit Corporation is committed to meeting the financing requirements of Manitoba's agricultural producers by working in partnership with the major chartered banks, credit unions, and caisse populaires. These partnerships enable agricultural producers, with reasonable business plans and debt servicing capabilities, to access credit where it would not otherwise be available due to factors such as insufficient equity or security and unproven projects. MACC's guarantees encourage private lenders to participate in areas that they may otherwise consider too high risk.

Guarantee Program Activity

	March 31, 2001		March 31, 2000	
	Number	**Amount**	**Number**	**Amount**
Guaranteed Operating Loans	154	$ 19,888,650	193	$ 22,343,500
Feeder Association Loan Guarantees	10	27,892,108	10	22,401,044
Diversification Loan Guarantees	35	25,810,000	19	18,232,928
Total Guaranteed Activity	**199**	**$ 73,590,758**	**222**	**$ 62,977,472**

Guaranteed Operating Loan Program

This program was introduced in 1983-1984 to provide new lines of credit for operating expenses. The corporation guarantees each participating lending institution 12 ½% of the respective total value of loans made under this program, with a maximum of $100 million combined total to all participating lending institutions.

During 2000-2001, there were 154 loan guarantees totalling $19,888,650 approved as compared to 193 loan guarantees approved totalling $22,343,500 during 1999-2000.

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Manitoba Cattle Feeder Associations Loan Guarantee Program

This program was introduced in 1991-1992 to assist Manitoba residents in establishing Feeder Associations and enable them to borrow funds on the strength of a government guarantee to the lender. For each association the corporation provides a guarantee to the individual lending institutions, based on 25% of the amount of the loan, to a maximum guarantee of $1,250,000 per association.

At the end of 2000-2001, there were 10 Feeder Associations with a total of $27,892,108 in approved guaranteed loans (for 186 active members) as compared to 10 Feeder Associations with a total of $22,401,044 in approved guaranteed loans (for 179 active members) at the end of 1999-2000.

Diversification Loan Guarantee Program

The Diversification Loan Guarantee Program was introduced during 1995-1996 to assist Manitoba producers in diversifying their current operation and/or add value to commodities produced on the farm. The corporation will guarantee 25% of loans up to $3 million from private lending institutions.

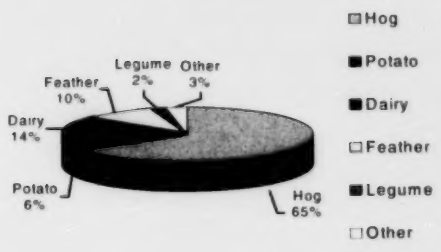
During 2000 - 2001, there were 35 Diversification Loan Guarantees approved for a total of $25,810,000 as compared to 19 Diversification Loan Guarantees approved for a total of $18,232,928 during 1999-2000. (The DLG+ was announced in March 2001 therefore there was no activity in 2000-2001).

Diversification Loan Guarantee Program Portfolio

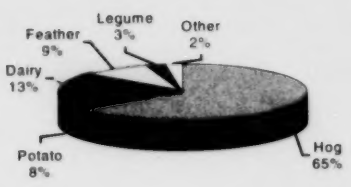
At the end of 2000-2001, there were 92 active Diversification Loan Guarantees totalling $76,133,054 as compared to 58 active Diversification Loan Guarantees totalling $53,323,054 at the end of 1999-2000.

ACTIVE DLG's BY SECTOR

2000-2001



1999-2000



The corporation acquires title to property as a result of debt settlement negotiations or by foreclosure proceedings. MACC's policy is to return property to the farmers by either selling or leasing. Whenever possible, MACC leases the property to the original land owner.

Property Activity

	March 31, 2001 Acres	March 31, 2000 Acres
Property held at beginning of year	22,027	28,559
Sales	7,170	6,835
Acquisitions	539	303
Property Held at End of Year	**15,396**	**22,027**

Lease Programs

Short Term Leases

Properties with expired leases are offered for sale by public tender. Properties that are not sold are tendered for lease with terms up to five years.

As at March 31, 2001 there were 16 Short Term Leases consisting of 3,620 acres and 1,349 acres committed to new tenants with lease agreements starting April 1, 2001.

Land Lease Option Program

From 1974 to 1977, MACC purchased farmland from willing sellers and leased it to qualifying farmers. The corporation acquired a total of 223,600 acres for $22.6 million.

As at March 31, 2001, there were 23 Long Term Leases and Agreements for Sale on 9,002 acres.

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MACC
Manitoba Agricultural Credit Corporation

Unit 100 - 1525 First Street South
Brandon, Manitoba R7A 7A1
T 204.726.6850 F 204.726.6849

June 29, 2001

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting policies. In management's opinion, the financial statements have been properly prepared and of necessity include some amounts based upon management's best estimates and judgments. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide assurance that reliable financial information is produced and assets are properly accounted for and safeguarded from loss. The Board of Directors, which oversees management's responsibilities for financial reporting, reviews and approves the financial statements. The Board of Directors meets with management and the auditors to discuss the audit, financial reporting, and related matters.

G. Shaw
General Manager

K. McEachen
Director, Finance & Administration

Office of the Provincial Auditor

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To The Legislative Assembly of Manitoba, and
To the Board of Directors of the Manitoba Agricultural Credit Corporation

We have audited the balance sheet of The Manitoba Agricultural Credit Corporation as at March 31, 2001, the statement of revenue and expenditure and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Provincial Auditor

Office of the Provincial Auditor

Winnipeg, Manitoba
June 29, 2001

The Manitoba Agricultural Credit Corporation

Balance Sheet

As at March 31, 2001

	2001 $ (000s)	2000 $ (000s)
Assets		
Cash (Note 3)	$ 7,382	$ 11,750
Receivables (Notes 2 and 6)		
Mortgages (Note 4)	270,641	263,252
Other (Note 5)	17,910	16,967
Long-term funding commitments - Province of Manitoba (Note 7)	4,940	4,591
Real estate (Notes 2 and 12)	2,184	3,432
	$ 303,057	$ 299,992
Liabilities and Deficit		
Accounts payable		
Province of Manitoba	$ 0	$ 72
Unearned real estate revenue	32	124
Other	1,068	867
Provision for Young Farmer Rebate	511	1,144
Provision for losses on guaranteed loans (Notes 2 and 11)	6,862	5,751
Provision for employee pension benefits (Notes 2 and 9)	4,711	4,362
Advances from Province of Manitoba (Note 8)	314,545	310,707
	327,729	323,027
Deficit		
Balance, beginning of year	(23,035)	(17,763)
Excess of expenditure over revenue	(1,637)	(5,272)
Balance, end of year (Note 17)	(24,672)	(23,035)
	$ 303,057	$ 299,992

Contingent Liabilities (Note 11)

APPROVED BY THE BOARD

DIRECTOR
Bill Uruski, Chair

DIRECTOR
Sandy Yanick, Vice-Chair

The Manitoba Agricultural Credit Corporation

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APPROVED BY THE BOARD

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DIRECTOR
Sandy Yanick, Vice-Chair

The Manitoba Agricultural Credit Corporation

Statement of Revenue and Expenditure

for the year ended March 31, 2001

	2001 $ (000s)	2000 $ (000s)
Revenue		
Interest		
Mortgages	$ **20,075**	$ 19,098
Other	**1,453**	1,198
Cash on deposit with Province of Manitoba	**556**	494
	22,084	20,790
Province of Manitoba – Net Funding (Note 15)	**3,832**	3,870
Services donated by Province of Manitoba (Note 2)	**130**	94
Real estate (Note 10)	**534**	831
Change in provision for decline in real estate values (Note 12)	**40**	(50)
Other	**823**	43
	27,443	25,578
Expenditure		
Administration costs		
Salaries (Note 2)	**3,479**	3,265
Impaired loan losses (Notes 2 and 6)	**757**	4,148
Change in provision for losses on guaranteed loans	**1,203**	1,214
Assistance under the Manitoba Farm		
Mediation Board program	**73**	53
Young Farmer Rebate	**1,562**	1,322
Flood proofing initiative		
Administration	**159**	214
Provision	**0**	158
Other administration costs	**1,751**	1,444
	8,984	11,818
Financing charges		
Interest on advances from Province of Manitoba	**20,096**	19,032
	29,080	30,850
Excess of expenditure over revenue	$ **1,637**	$ 5,272

The Manitoba Agricultural Credit Corporation

Statement of Cash Flows

for the year ended March 31, 2001

	2001 $ (000s)	2000 $ (000s)
Cash Provided By (Used for)		
Operating activities		
Excess of expenditure over revenue	$ **(1,637)**	$ (5,272)
Items not involving cash		
Change in provision for impaired loan losses	**566**	3,948
Change in provision for flood proofing loan losses	**0**	158
Gain on disposal of real estate	**(347)**	(594)
Change in provision for decline in real estate value	**(40)**	50
Change in provision for Young Farmer Rebate	**(633)**	51
Change in provision for losses on guaranteed loans	**1,111**	1,116
Change in provision for employee pension benefits	**348**	290
Mortgage loans disbursed	**(38,446)**	(93,188)
Mortgage principal received	**31,383**	42,400
	(6,058)	(45,769)
Increase in other receivables	**(1,676)**	(1,941)
Increase in mortgage receivables	**(508)**	(2,262)
Increase (Decrease) in accounts payable	**38**	(94)
	(2,146)	(4,297)
Cash used for operating activities	**(9,841)**	(55,338)
Investing activities		
Proceeds from real estate disposals	**1,783**	2,051
Real estate acquisitions	**(148)**	(229)
Cash provided by investing activities	**1,635**	1,822
Financing activities		
Advances received from Province of Manitoba	**65,770**	108,845
Advances repaid to Province of Manitoba	**(61,932)**	(57,027)
Cash provided by financing activities	**3,838**	51,818
Net decrease in cash	**(4,368)**	(1,698)
Cash, beginning of year	**11,750**	13,448
Cash, end of year	$ **7,382**	$ 11,750

The Manitoba Agricultural Credit Corporation

Statement of Revenue and Expenditure

for the year ended March 31, 2001

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	29,080	30,850
Excess of expenditure over revenue	$ **1,637**	$ 5,272

The Manitoba Agricultural Credit Corporation

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for the year ended March 31, 2001

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Operating activities		
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Cash provided by financing activities	3,838	51,818
Net decrease in cash	(4,368)	(1,698)
Cash, beginning of year	11,750	13,448
Cash, end of year	$ 7,382	$ 11,750

1. Nature of Operations

The Manitoba Agricultural Credit Corporation was incorporated under The Agricultural Credit Corporation Act of Manitoba. Under this Act, the corporation provides and administers financial assistance to farmers to assist in the development of farms in Manitoba.

2. Significant Accounting Policies

a) Basis of Accounting

The corporation follows generally accepted accounting principles.

b) Allowances for Impaired Loans

The allowances for impaired loans are determined annually by a review of individual accounts. The allowances represent management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectibility of principal or interest, specific allowances are established for individual accounts. These accounts are valued at the lower of their recorded value and the estimated net realizable value of the security held for the accounts.

In addition to the allowances for impaired loans identified on an individual loan basis, the corporation establishes a further allowance for impaired loans. This additional allowance for loan impairment represents management's best estimate of probable losses in its entire loan portfolio, due to potential future declines in the value of the real estate taken as the underlying security for these loans.

Current year provisions for impaired loans are charged to administration expenditure as impaired loan losses. Actual accounts written off by Board resolution are charged to the allowances for impaired loans.

c) Provision for losses on guaranteed loans

The provisions for losses on guaranteed loans are determined annually by a review of individual guarantees. The provisions represent management's best estimate of probable claims against the guarantees. Where circumstances indicate the likelihood of claims arising, provisions are established for those loan guarantees. These provisions would cover principal, accrued and unpaid interest, and amounts recoverable.

Current year provisions for losses on guaranteed loans are charged to administration expenditure. Actual claims paid are charged to the provisions for losses on guaranteed loans. Recoveries are credited against current year's expenditure.

2. Significant Accounting Policies (continued)

d) Real Estate Acquired in Settlement of Loans

Real estate that is acquired in settlement of loans through foreclosures and voluntary transfers of title is recorded at the lower of the recorded value of the loan and the appraised value of the real estate at acquisition date. Subsequent declines or increases in estimated realizable value are not recorded. Real estate is stated net of a provision for decline in real estate value.

e) Real Estate Under Long-Term Lease

Real estate that was acquired under the land lease program for long-term leases is recorded at cost.

f) Pension Plan

Employees of the Corporation are pensionable under the Civil Service Superannuation Act. The Corporation accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial valuation.

g) Donated Services

The Province of Manitoba provides certain administrative services at no charge to the corporation. The estimated fair value of $130,330 for these services is included in salaries expenditure and donated services revenue in these financial statements.

h) Measurement Uncertainty – Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash

		2001		2000
		(000s)		(000s)
Cash on hand and in bank	**$**	**1,174**	$	976
Cash on deposit with Province of Manitoba		**6,208**		10,774
	$	**7,382**	$	11,750

4. Mortgages Receivable

			2001 (000s)		2000 (000s)
Amounts are due over the following terms:					
1 year	- Accrued interest	**$**	**12,432**	$	11,691
	- Arrears		**1,959**		2,304
	- Prepayments		**(11,321)**		(10,029)
	- Regular instalments		**22,153**		20,319
			25,223		24,285
2 years	- Regular instalments		**22,792**		21,288
3 years	- Regular instalments		**23,289**		21,825
4 years	- Regular instalments		**23,851**		22,129
5 years	- Regular instalments		**22,919**		22,363
Over 5 years	- Regular instalments		**169,084**		167,699
			287,158		279,589
Less: Allowance for impaired loans			**16,517**		16,337
		$	**270,641**	$	263,252

5. Other Receivables

	2001 (000s)	2000 (000s)
Stocker program advances	$ 18,122	$ 16,335
Flood proofing initiative	3,344	3,998
Lease revenue	121	166
Sale of real estate	241	4
Miscellaneous	9	6
	21,837	20,509
Less: Allowance for impaired loans	3,927	3,542
	$ 17,910	$ 16,967

6. Allowances for Impaired Loans

	2001 (000s)	Provision	Write Offs	2000 (000s)
Mortgages	$ 16,517	$ 339	$ 159	$ 16,337
Stocker program advances	2,697	435	31	2,293
Other	88	(17)	1	106
	2,785	418	32	2,399
	$ 19,302	$ 757	$ 191	$ 18,736

7. Long-term funding commitments – Province of Manitoba

	2001 (000s)	2000 (000s)
Employee Severance	$ 229	$ 229
Employee Pension Benefits	4,711	4,362
	$ 4,940	$ 4,591

8. Advances from Province of Manitoba

In accordance with Province of Manitoba practices, the corporation may elect to repay advances or portions of advances prior to maturity.

		2001		2000
		(000s)		(000s)
Advances are repayable in equal annual blended instalments of principal and interest, with interest rates from 5.050% to 8.000%. Maturities of principal by fiscal year are as follows:				
2001	**$**	**--**	$	51,743
2002		**52,417**		23,051
2003		**25,322**		23,891
2004		**25,818**		24,320
2005		**24,484**		22,917
2006		**23,053**		21,414
2007 through 2026		**163,451**		143,371
	$	**314,545**	$	310,707

9. Provision for employee pension benefits

Corporation employees are eligible for defined benefit pensions under The Manitoba Civil Service Superannuation Act. In accordance with the provisions of this Act, the corporation contributes 50% of the pension disbursements made to retired employees.

Actuarial valuations are to be carried out every three years to provide an estimate of the accrued liability for unfunded pension benefits. The most recent actuarial valuation was performed as at December 31, 1998. Based on the 1998 valuation for "Future Indexing", the actuarial liability for unfunded pension benefits is estimated to be $4,710,100 at March 31, 2001 (2000 - $4,361,934).

10. Real estate revenue

	Proceeds (000s)	Book Value	**2001 (000s)**	2000 (000s)
Sales to lessees	$ 1,249	$ 958	**$ 291**	$ 507
Sales by public tender	534	478	**56**	87
	$ 1,783	$ 1,436		
Net gain on sale of real estate			**347**	594
Lease revenue from real estate acquired in settlement of loans and from long-term leases			**216**	289
Other revenue			**2**	2
Interest revenue			**15**	21
			580	906
Less: Real estate carrying costs			**46**	75
			$ 534	$ 831

11. Contingent Liabilities

a) The corporation introduced the Guaranteed Operating Loan Program beginning April 1, 1983. The corporation guarantees each participating lending institution 12 1/2% of the respective total value of loans made under this program. As of March 31, 2001, the corporation's contingent liability amounted to $9,365,631 (2000 - $9,432,656). Based on management's best estimate of probable losses, the corporation has made a provision for this contingency in the amount of $2,264,063 (2000 - $2,351,586). The corporation adjusts the provision to the level regarded by management as appropriate through a current provision charged or credited to administration expenditure for the year.

b) The Manitoba Cattle Feeder Associations Loan Guarantee Program was introduced jointly by Manitoba Agriculture and Food and The Manitoba Agricultural Credit Corporation in November 1991. In September 1997, The Manitoba Agricultural Credit Corporation assumed responsibility for administration of the program. For each association, the corporation provides a guarantee to the lending institutions, based on 25% of the amount of the loan to a maximum guarantee of $1,250,000. As of March 31, 2001 the corporation's contingent liability amounted to $6,973,027 (2000 - $5,600,261). Based on management's best estimate of probable losses, a provision has been made for this contingency in the amount of $1,743,257 (2000 - $1,400,065).

11. Contingent Liabilities (continued)

c) The Diversification Loan Guarantee Program was introduced in December 1995, to provide guarantees on loans made by participating lenders, for diversification or farm value-added activities. On qualifying individual loans up to a maximum of $3,000,000, the corporation will guarantee 25%, up to $750,000 per loan. As at March 31, 2001, the corporation's contingent liability under this program amounted to $19,033,264 (2000 - $13,330,764). Based on management's best estimate of probable losses on this program, the corporation has established a provision in the amount of $2,854,989 (2000 - $1,999,615).

d) The corporation has guaranteed performance bonds of certain agricultural marketing agencies in the amount of $243,842 (2000 - $413,794). No provision for this contingency has been made in the financial statements. Any payments arising from claims under these guarantees will be recorded as an expense in the period the claims occur.

e) As at March 31, 2001 the corporation had approved but not disbursed mortgages and other loans in the amount of $20,727,006 (2000 - $19,649,343).

12. Real estate

Based on a review of its current real estate portfolio, the corporation has established a provision of $72,255 for 2001 (2000 - $112,565) to provide for future declines in real estate values. This provision represents management's best estimate of probable losses on sale of real estate.

		2001		2000
		(000s)		(000s)
Real Estate	**$**	**2,256**	$	3,544
Provision for decline in real estate values		**72**		112
	$	**2,184**	$	3,432

13. Interest Paid and Received

During the year, the corporation received interest of $21,195,029 (2000 - $18,323,787) and paid interest of $20,096,341 (2000 - $19,032,232).

14. Related Party Transactions

The corporation is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The corporation enters into transactions with these entities in the normal course of business.

15. Revenue – Province of Manitoba

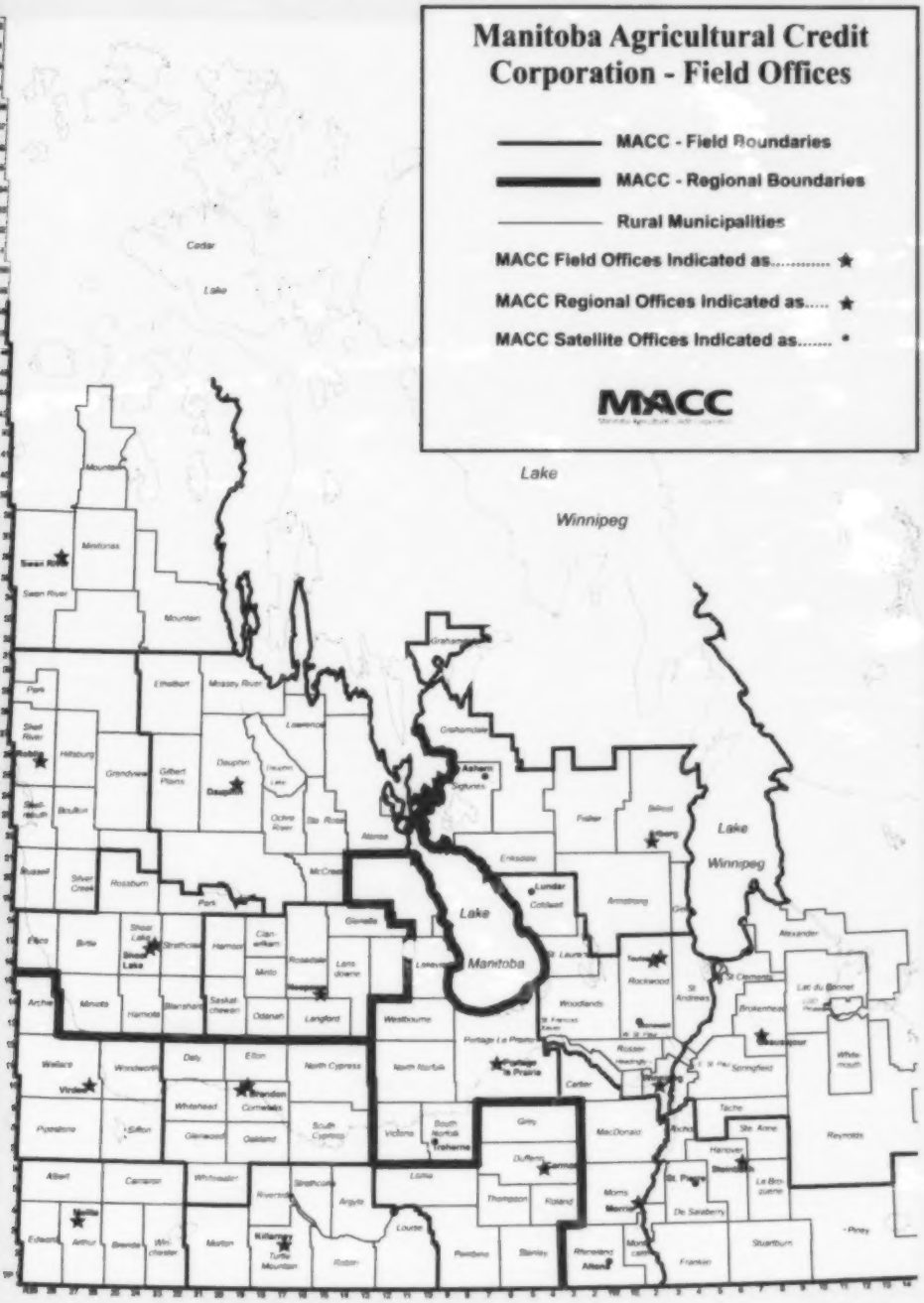
	2001 (000s)	2000 (000s)
Grant	$ 3,484	$ 3,580
Increase in long-term funding commitment	348	290
	$ 3,832	$ 3,870

16. Comparative Figures

Certain 2000 figures have been reclassified to conform to the 2001 financial statement presentation.

17. Economic Dependence

The corporation is economically dependent on the Province of Manitoba.



MACC Field Offices

Altona (Satellite) Ag Rep Office, Altona Mall	324-2806
Arborg 317 River Road	376-3305
Ashern (Satellite) Ag Rep Office, Railway Street	768-2686
Beausejour 20-1st Street S.	268-6016
Brandon Unit 100 – 1525 1st Street S.	726-6018
Carman 65-3rd Avenue N.E.	745-5621
Dauphin 27-2nd Avenue S.W.	622-2016
Killarney 411 Broadway Avenue	523-8909
Lundar (Satellite) Ag Rep Office, Main Street	762-5694
Melita 139 Main Street	522-3443
Morris 229 Main Street S.	746-2312
Neepawa 41 Main Street	476-5491
Portage la Prairie 2nd Floor, 25 Tupper Street N.	239-3357
Roblin 117-2nd Avenue N.W.	937-2453
St. Pierre (Satellite) Municipal Building	433-7749
Shoal Lake 4th Avenue E.	759-2720
Steinbach 323 Main Street	346-6092
Stonewall (Satellite) 337 Main Street	467-8391
Swan River 120-6th Avenue N.	734-3172
Teulon 77 Main Street	886-2138
Treherne (Satellite) 163 Smith Street E.	723-2626
Virden 247 Wellington W.	748-2559

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